

The Fiscal Year 2002-03 Budget Study Session was called to order on Thursday, May 9, 2002, at 9:00 a.m., in the Emergency Operations Center Conference Room, Room 159, Noel C. Taylor Municipal Building, 215 Church Avenue. S. W., City of Roanoke, with Mayor Ralph K. Smith presiding.

**PRESENT:** Council Members William D. Bestpitch, William H. Carder, C. Nelson Harris, W. Alvin Hudson, Jr., William White, Sr., Linda F. Wyatt and Mayor Ralph K. Smith-----7.

**ABSENT:** None-----0.

**ALSO PRESENT:** Darlene L. Burcham, City Manager; William M. Hackworth, City Attorney; Jesse A. Hall, Director of Finance; Mary F. Parker, City Clerk; Troy A. Harmon, Municipal Auditor, Willard N. Claytor, Director of Real Estate Valuation; George C. Snead, Jr., Assistant City Manager for Operations; Rolanda A. Johnson, Assistant City Manager for Community Development; Ann H. Shawver, Deputy Director of Finance; Barry L. Key, Director of Management and Budget; Alicia F. Stone, Budget Administrator; Sherman M. Stovall, Planning/Support Services Supervisor; Frank Baratta, Budget Team Leader; Robert K. Bengtson, Director of Public Works; and George M. McMillan, City Sheriff.

**COUNCIL-BUDGET:** The Mayor welcomed Council Member-Elect M. Rupert Cutler and advised that Council Member-Elect Alfred T. Dowe, Jr., was out of the City.

The City Manager called attention to a number of slides that would be used throughout the budget presentation. She explained that expenditure adjustments have been made in order to balance the budget in view of the reduction in personal property taxes and bank stock revenue; a number of items will be reviewed that were previously identified by Council and referred to fiscal year 2002-03 budget study during the past year; and City staff will address concerns of Council Members above and beyond those items. She advised that from the beginning, the fiscal year 2003 budget has been a challenge and a most difficult budget to balance as a result of the City of Roanoke being the recipient and or non-recipient of certain State monies and changing issues locally. On a positive note, she called attention to State revenues pertaining to Constitutional Offices; and as the various State departments balance their budget, the City of Roanoke can continue to expect surprises, therefore, she requested that Council bear with City staff as they work with changing budget figures from the State.

The City Manager referred to the remarks of Ms. Estelle McCadden, 2128 Mercer Avenue, N. W., which were presented at the fiscal year 2002-03 Budget Public Hearing on Monday, April 29, 2002, at which time Ms. McCadden raised specific questions (see April 29, 2002 minutes); whereupon, the City Manager advised that she recently met with Ms. McCadden for approximately 90 minutes and satisfactorily answered her questions.

Mr. Key advised that the issue on the minds of everyone is how to balance the fiscal year 2002-03 budget in view of the recent downturn in the personal property and bank stock taxes. He stated that the original recommended General Fund revenue estimate 2003 was approximately \$195 million and three adjustments are currently recommended: (1) a reduction in personal property tax of approximately \$1.4 million, (2) a reduction in bank stock tax of \$383,000.00 and (3) it appears that the State has restored almost all of the cuts that were anticipated in Constitutional Offices, totaling approximately \$394,520.00, with the majority, \$287,000.00, in the Sheriff's Office. He explained that the total of the two adjustments for personal property tax and bank stock tax is \$1,798,000.00, which represents a reduction in local taxes; and the three adjustments, added to a reduction of \$1.4 million, brings the revenue estimate down to \$193.5 million increase from fiscal year 2002 of approximately \$2 million, or 1.15 per cent.

He reviewed recommendations on expenditure reductions to balance the budget taking into consideration a revenue reduction of \$1,403,480.00. He stated that the first item is in the school's share of the local revenue reduction and per the existing formula between the City and the Schools, the schools would share in 36.42 per cent of the reduction, totaling \$654,832.00. He explained that the impact on the school budget, according to the school administration (has not been approved by the School Board), is that employee raises will be reduced from 3.25 per cent to 2.55 per cent, a reduction in debt reserve and future capital projects, plans to upgrade principal salaries will be eliminated, and plans for additional training and recruitment for site based administrators will also be eliminated.

Mr. Key explained that it was the goal of City staff to increase the City's debt capacity by including \$878,000.00 for fiscal year 2003; however, staff now recommends a reduction of the figure to the minimum which is \$570,000.00 as included in the Six Year Plan previously approved by Council. He stated that the City has an approved financial policy to fund the Contingency Reserve at one-half of one per cent of the General Fund which has not been achieved to date and would be in the range of \$900,000.00 - \$1,000,000.00 for fiscal year 2003, and to accommodate the necessary revenue adjustment, \$500,000.00 is recommended for

the Contingency Reserve which is the same level as fiscal year 2002. He advised that the City's contribution to the Hotel Roanoke Conference Center Commission will be reduced for fiscal year 2003 from \$175,000.00 to \$125,000.00; and Council recently approved the cable television budget and staff overestimated the City's portion of the budget by \$25,063.00.

Mr. Key explained that City staff was requested to recommend ways to better manage costs within Solid Waste Management, therefore, the level of expenditures in the area of contract labor to accommodate increased volume during fiscal year 2002 has been reviewed, and it is recommended to replace two full time contractual employee drivers with City positions to address increased bulk and brush which will result in a \$20,176.00 savings. He called attention to renegotiation of the National Guard Armory lease over the past year, whereby the National Guard would pay for more expenses and utilities relating to the facility in the range of \$70,000.00 per year; and the cost of the merit raise for City employees has been revised to provide for a cost reduction of approximately \$188,070.00. He stated that added back to the fiscal year 2003 budget will be four full time equivalent deputy sheriff positions that have been approved by the Compensation Board, in the amount of \$138,140.00, the Compensation Board has approved 205 positions which is the current staffing level and with the change in the additional revenue, the two positions that had been recommended for unfunding and the two overhire positions will be reinstated to the Sheriff's budget, which results in there being no locally funded positions in the Sheriff's Department. He explained that the Police Department had previously recommended that the DARE Camp be scaled back by approximately 50 per cent, however, it is recommended that full funding be restored (\$12,877.00), to provide for a full week at the 4H Camp at Smith Mountain Lake.

Mr. Key reviewed those issues that were referred by Council to fiscal year 2002-03 budget study during the course of the year:

(1) The need to reduce reliance on the year end fund balance for capital funding for technology upgrades, vehicle replacement and other items. Mr. Key called attention to \$4.3 million in capital funding in the fiscal year 2002 budget, \$0.8 million has been included in additional capital funding in the fiscal year 2003 budget, for a total of \$5.1 million and attainment of more adequate funding levels will be considered as part of a long range financial plan to try and find a way to budget funds in the actual budget each year as opposed to relying on the year end balance. He advised that during fiscal year 2003, the Department of Finance and the Office of Management and Budget will address a long

range financial plan, consisting of a five year projection on revenues and expenditures, to determine shortfalls over a five year period, and to recommend financial strategies for review by Council on how to meet the needs of the City over the next five years.

(2) Recognition of the location of past historic buildings. Mr. Key explained that the Engineering Department is working on the most cost effective method and referred to the possibility of various types of fund raisers, etc. Council Member White called attention to a similar request regarding the First Street Bridge and asked that downtown buildings and the First Street Bridge be considered simultaneously. There was discussion that \$10,000.00 for the project may be a more realistic figure, as opposed to the \$25,000.00 included in the proposed fiscal year 2003 budget, and that all plaques should be uniform.

(3) Cost-of-living increase for City retirees. The fiscal year 2003 budget recommends a 2.6 per cent increase which is consistent with the Social Security increase granted effective January 1, 2002, and other government retirement systems to be funded by the Pension Plan.

(4) Request for Fire-EMS information as previously requested by Council Member Bestpitch in regard to staffing on fire apparatus and cost for services that were provided by REMS. Mr. Key advised that fire apparatus are staffed with three personnel 90-92 per cent of the time, and with four personnel during the remainder of the time, for a "total emergency scene staffing" philosophy; 58 additional full time employee positions would be required at a cost of \$2.2 million to staff each apparatus with four personnel 100 per cent of the time; and the City's current response protocol is about 13 people on the scene for a fire call and in the event of a working fire, an additional five positions are dispatched. He stated that if the City were to move to a minimum apparatus staffing of four per apparatus, approximately 58 additional positions would be required, at a cost of approximately \$2.2 million to guarantee staffing at that level 100 per cent of the time.

Ms. Wyatt inquired as to whether the positions are supervised firefighters; whereupon, a response was delayed until arrival of the Fire Chief.

In regard to REMS, Mr. Key advised that the value added is \$129,523.00 annually, which means that without REMS, there would be a cost increase in that amount in the Fire/EMS budget. He noted that 18 part-time employees are used to staff REMS Medic I, Monday - Friday, from 7:00 a.m. to 7:00 p.m. (60 hours per week), at a cost of \$72,000.00 annually, and two full time positions also fill in as needed.

Mr. Bestpitch pointed out that none of the 18 part-time employees receive benefits as part-time employees and at 60 hours per week, there could be at least one full time position which would provide that individual with a career position, while splitting up the other 20 hours. It was the consensus of Council to hold discussion in abeyance until the arrival of the Fire Chief.

(5) Request for information on consultants. Mr. Key called attention to a communication from the City Manager under date of May 3, 2002, that was provided to Council indicating that there is in the range of \$9 million worth of consultants' contracts at this time, the majority of which covers engineering design type contracts, totaling approximately \$8.1 million, with the balance being administrative in nature.

During the past year, Mr. Hudson inquired as to costs for overtime pay in the Fire/EMS budget for call backs of off duty firefighters, in order to maintain a staffing level of three per fire apparatus.

It was agreed that the question would be held in abeyance until the arrival of the Fire Chief.

(6) Request for information regarding cultural and human service organizations. Mr. Key advised that a communication from the City Manager under date of May 3, 2002, was previously provided to Council including preliminary recommendations for fiscal year 2003 in regard to the Cultural Services Committee, the Human Services Committee, and other human service type agencies that receive funding through the HUD budget.

Mr. Bestpitch advised that the data received by Council appears to compare projected budgets year after year; if a specific agency were more successful in raising funds from other sources, the percentage of the budget that the City provides should be lower, and if the agency fails to raise funds, the figure will reflect a higher percentage, therefore, some refinement seems to be in order.

**(7) Funding for the Roanoke Adolescent Health Partnership. Mr. Key advised that \$25,000.00 is recommended in the fiscal year 2003 budget as a transfer to Roanoke City Public Schools, although no specific line item has been included in the budget.**

**(8) Request for information on the Solid Waste program. Mr. Key advised that Ms. Wyatt requested additional information on the Homeowner Program volume at the transfer station; i.e.: 965 tons of household waste was disposed of in 1998, over the next two years, volume increased and leveled off after fiscal year 2000 because curb service was initiated, and the numbers do not appear to be changing; and a large amount of equipment is proposed to be replaced in fiscal year 2003 in solid waste management, and rental of equipment in the amount of \$120,000.00 will not be included in fiscal year 2003.**

**Mr. Bengtson presented a report in regard to residential solid waste collection, and called attention to service enhancements and changes that have been made in the last 18 months:**

**(1) Implementation of the weekly route based bulk and brush collection.**

**(2) Expansion of the weekly recycling collection which included the ability to co-mingle recyclables making the system more user friendly for customers and City staff.**

**(3) Moving to more curb side collection points to maximize efficiency and the utilization of manpower, with a goal to reduce the percentage of alley collection points from 44 per cent to approximately 15 per cent.**

**He advised that in developing the service level enhancements, the following key assumptions were made:**

**An increase in the number of daily bulk and brush collection routes from three to four routes, with two pieces of equipment (knuckleboom truck and packer truck assigned to each route).**

**Resources that previously had been dedicated to alley collection could be reallocated to the enhanced bulk and brush program and the expanded recycling program. This would also provide for a sufficient compliment of back up manpower to provide coverage for vacation time, illness and other paid leave situations.**

**A nominal increase in the tonnage of bulk and brush items collected.**

**An increase from seven per cent to 14 per cent in the tonnage diverted from the normal waste stream as a result of expanding and simplifying the collection system for recyclables. It was anticipated that this would require an increase in the number of daily recycling routes from two to three routes.**

**With implementation of the enhanced services, Mr. Bengtson advised that the following factors have been considered when evaluating the current status of residential refuse collection:**

**The tonnage of bulk and brush items collected has increased 70 per cent since the inception of route-based bulk and brush collection at a cost of \$66,153.00.**

**The tonnage of residential recyclable materials diverted from the normal waste stream has increased to 30 per cent since the inception of the expanded recycling program, compared to the initial projection of 14 per cent. The number of daily recycling routes had to be increased from the anticipated three routes per day to four routes per day to handle the additional volume. While staffing and equipment needs have increased, recyclables are not being directed to the landfill for disposal at a cost of \$42.00 per ton. The cost to dispose of recyclables is \$5.00 per ton for mixed paper and \$40.00 per ton for plastics, bottles, and glass.**

**As a result of moving back into a number of alleys, the percentage of alley collection points is 37 per cent, compared to the initial goal of 15 per cent. This foreclosed the opportunity to reallocate manpower to the enhanced bulk and brush program and the expanded recycling program, and required the use of contract labor to meet service demands.**

**With the exception of the special collection programs, the use of contract labor to meet the daily manpower requirement and to provide a sufficient backup compliment equates to nine full-time equivalent positions, at a cost of approximately \$194,000.00. It has been determined that it is more cost effective to use sanitation workers on a contract basis than to add permanent positions to the existing staffing compliment. Also, it has been determined that it is more cost effective to add sanitation drivers to the staffing compliment than it is to use drivers on a contract basis.**

Due to increased service demands and the poor condition of the solid waste vehicular fleet, it became necessary to rent vehicles during fiscal year 2002 at a cost of \$151,404.00. The acquisition of new collection equipment will eliminate the requirement to rent equipment in the upcoming fiscal year. The next round of vehicular equipment replacement is now being planned to continue the upgrade of the solid waste fleet to cost-effectively meet service demands.

In conclusion, Mr. Bengtson advised that the recommended fiscal year 2002-03 budget contains sufficient funding to operate the residential collection programs at the current service levels based on the anticipated tonnage of materials collected and the use of contract labor; whereupon, he offered the following recommendations:

The addition of two sanitation drivers to the permanent Solid Waste Management staffing compliment, which will result in a savings of approximately \$20,176.00 when compared to the cost of using contract sanitation drivers.

Enhancing the level of expenditure monitoring for solid waste tipping fees and the use of contract labor to ensure that both items are within budget.

Report quarterly to Council on the status of the residential solid waste collection program with respect to actual expenditures compared to budget.

Continue to replace vehicular equipment on schedule to ensure that adequate vehicles are available to meet service demands.

Ms. Wyatt requested information on contract labor costs, continuity, caliber and quality of employees. She expressed concern that when contract labor is used, the City of Roanoke cannot expect to receive the same level of dedication from contract labor that it receives from full-time City employees and Roanoke's citizens have come to expect quality service.

Mr. Key pointed out that it would cost \$40,000.00 more per year to replace contract labor with full-time City employees.



There was considerable discussion regarding contract labor versus employment of full time City employees; whereupon, Ms. Wyatt requested information on the total cost of full-time City employees versus contract labor.

Mr. White advised that Council should be provided with periodic information on costs, delivery of service and benefits. He inquired if the City Manager has considered the possibility of including a question with regard to the level of citizens satisfaction with the City's solid waste collection program in the annual citizens survey; whereupon, the City Manager advised that a question has been included in previous surveys and will continue to be included in future citizen surveys. Mr. White commended the City's solid waste management program which has improved the overall cleanliness of the City of Roanoke.

Ms. Wyatt advised that her concern pertains to the \$700,000.00 over run in the 2002 fiscal year budget for solid waste management, and called attention to the need to budget appropriately so that there will not be another \$700,000.00 over expenditure in the budgeted amount. She called attention to the need to look at more and better efficiencies so that a recycling truck, a bulk refuse collection truck and a regular refuse collection truck are not required to go down every street in the City every week, resulting in a waste of taxpayers' money. She stated that there may be a need for a better communication system, vehicle to vehicle, which would enable drivers to alert each other if there is bulk, brush or recyclables to be removed on any given street.

The Mayor requested information on collection costs of comparable cities in Virginia and nearby states and whether or not they engage in recycling which will enable Council to make an informed decision as to whether City of Roanoke costs are comparable with other localities. He advised that Council should decide how much it wishes to appropriate to solid waste management and look to the City Manager to accomplish the City's goals within funds that are appropriated.

Mr. Hudson referred to those persons who have been evicted from rental properties, whose possessions are set out on the street for 20 days before they may be removed by solid waste management. He stated that the landlord should be responsible for moving the items to a specific area so as not to clutter City streets; whereupon, the City Manager advised that staff is working on an ordinance to address the matter and it is anticipated to bring the measure to Council for consideration within the next two months.

**The City Manager advised that the Fire Chief was present to respond to previous questions raised by Council Members.**

**In regard to the question pertaining to the additional compliment of fire staff that are deployed to a fire scene when there is an actual working fire, how those five individuals are used, their qualifications, and actual duties on the fire scene, Chief Grigsby responded that the five persons can be used in any way that the incident commander chooses, the individuals have received cross training and 94 per cent of the entire Fire/EMS Department is cross trained in basic life support and emergency medical training, and 15 per cent of the department is trained in advance life support. He explained that each fire scene determines how staff will be used.**

**In regard to the question of REMS and its role in EMS service, with 18 employees engaged on a part-time basis to supplement REMS staff, why would the City not consider employing one full-time employee and supplement the one employee with part-time staff at a lesser number by virtue of the fact that there would be a full time employee engaged in part of the service delivery, Chief Grigsby advised that it has been determined that using part time personnel as emergency medical technicians has been advantageous to the City. He stated that he would give further review to the matter to determine whether the service should be a paid service, and if so, four full time persons, or approximately 7000 staff hours per year, would be required.**

**In regard to the amount of overtime paid to off duty personnel by the Fire/EMS Department to achieve a minimum staffing level of three, Chief Grigsby responded that the figure is in the range of \$120,000.00 - \$130,000.00 in overtime wages per year.**

**Upon question by a Member of Council, Mr. Key referred to page 207 of the proposed budget document in which a total of four positions in the Fire/EMS Department are recommended for elimination, i.e.: the Deputy Chief and Captain positions and two Firefighter EMT positions, with the total of the Captain and the two Firefighter/EMT positions at \$143,000.00 and the Deputy Chief position at approximately \$85,000.00.**

**There was discussion in regard to the airport fire station, financial operation, and the rationale behind eliminating the two Fire/EMS positions.**

Vice-Mayor Carder inquired if the proposed cuts will cause an increase in risks to Roanoke's citizens through loss of life, injury and personal property; whereupon, the Fire Chief advised in the negative inasmuch as the Fire/EMS department will continue to maintain its operational strength of 65 per day.

In regard to the issue of public safety, the City Manager advised that the City has been unable for a number of years to fill all of its police officer positions through recruitment and retention methods and the department routinely has between five and ten vacancies on a continuing basis, and rather than recommend cutting five other positions somewhere else in the budget in fiscal year 2003, it is recommended that Council unfund five police officer positions, or one-half of what the department normally carries as vacancies. She advised that if the Police Department can fill every one of those positions at any time during fiscal year 2003, she will find the money to fund the positions. She stated that during this tight budget situation, it is difficult to allow funds to remain in the budget knowing that those funds will not be used, while cutting other positions in the budget. She stressed that every recommendation that was made in the proposed fiscal year 2003 budget has some pain, but the budget is manageable and continues to provide the level of service that Roanoke's citizens want.

Question arose with regard to six positions that are being recommended for funding by the City Manager in fiscal year 2003, versus the elimination of five positions in the Fire/EMS Department; whereupon, the City Manager advised that two of the six positions are the substitution of positions for what has been a contract in the past, and such action will not cost the City any more money; and three of the positions relate to revenue maximization for the City. She advised that a revenue maximization coordinator has been used in other localities and has demonstrated a significant capacity to bring additional Federal and State dollars to the locality, thus saving local tax dollars. She stated that a position was recommended by the Municipal Auditor for the Billings and Collections Department for a new position that would not only pay for itself, but identify and collect additional revenues on behalf of the City, because revenue collection is a key to Roanoke's future to ensure that every penny the City is entitled to receive is collected. She added that another position is proposed for the Department of Parks and Recreation to create additional opportunities for grants and donations to fund recreation programs. She advised that a librarian for the Law Library will be funded through fees that are collected on court cases, with no local contribution. She explained that three of the six positions have no budget impact and the other three positions are designed to generate revenues for the City.

Ms. Wyatt advised that based upon discussions with her fellow Council Members, it is clear that the majority of Council does not wish to cut positions in the Fire/EMS Department; whereupon, she requested that the City Manager recommend a solution to balance the fiscal year 2003 budget without cutting those positions. The City Manager advised that she would submit a recommendation to address the request at Council's budget study session on Friday, May 10. Following further discussion, it was clarified that Council was referring to three firefighter positions.

At 11:45 a.m., the Mayor declared the 2002-03 budget study session in recess.

At 1:45 p.m., the budget study session reconvened in Room 159 of the Noel C. Taylor Municipal Building, with all Members of the Council in attendance, Mayor Smith presiding.

The City Manager advised that Council was at a point in the agenda to discuss other issues or adjustments that Council might wish to address.

The Mayor referred to a request of the Bradley Free Clinic for an increase in funding by the City from \$30,000.00 to \$50,000.00; whereupon, the City Manager called attention to the possibility of contracting with the Bradley Free Clinic to provide all non-narcotic prescription drugs that the City routinely purchases for its clients on an annual basis, which amounts to approximately \$80,000.00 per year. She advised that if the City could be assured that its clients will receive the same level of prescriptions currently received at \$80,000.00, the Free Clinic would be the recipient of the profit. She added that a meeting will be held in the near future with representatives of the Bradley Free Clinic and the City of Roanoke to discuss the proposal, if the arrangement can be worked out, the net result would be an even greater benefit than the \$20,000.00 in additional funds requested by the Free Clinic; however, if the interested parties are unable to work out the necessary arrangement, she would be willing to take the additional \$20,000.00 from the City Manager's contingency on a one time basis, pursuant to approval by Council.

In connection with compliance and collection of taxes, Mr. White moved that the City Manager be authorized to contact the Commissioner of the Revenue to discuss the possibility of adding two audit positions to the staff of the Office of Commissioner of the Revenue for the purpose of enhancing compliance with laws currently on the books, and that an Audit Review Board be established to work with the Commissioner of the Revenue to ensure that the City is aggressively and fairly enforcing the collection of all taxes that the City is entitled to receive. The motion was seconded by Mr. Harris and adopted by the following vote:

**AYES: Council Members Bestpitch, Carder, Harris, Hudson, White, Wyatt and Mayor Smith-----7.**

**NAYS: None-----0.**

**Ms. Wyatt inquired about the status of a grant of \$25,000.00 for child car seat safety; whereupon, the City Manager advised that the \$25,000.00 has, in the past, been a grant through the Police Department, the Police Chief will continue to apply for the grant; however, if the City is not a recipient of the grant in fiscal year 2003, \$25,000.00 will be included in the budget of the Police Department.**

**Mr. Bestpitch addressed the issue of a request by Total Action Against Poverty for the Dumas Center for Artistic Development and advised that as Council's liaison to the TAP Board of Directors, he was requested to generate discussion. He advised that the basic question is not one of funding in fiscal year 2003, but to provide a mechanism to develop support based upon a fundraising campaign beginning with fiscal year 2004, whereby the City would provide a local match of \$100,000.00 for every \$500,000.00 raised by TAP over a period of five years, which would give TAP the \$500,000.00 it has requested from the City toward a total \$3.5 million project.**

**It was the consensus of Council to refer the matter to the City Manager for report to Council with regard to funding, and to address compatibility of the Dumas Center for Artistic Development with future development in the area. It was pointed out that there is a need for a viable master plan for the entire area.**

**Ms. Wyatt inquired about the status of previous discussions in regard to using Williamson Road Pharmacy and Brambleton Avenue Pharmacy to provide prescription services for City employees.**

**Vice-Mayor Carder advised that the City should focus on a five year strategic plan in anticipation of what could happen at the State level with budget cuts and in conjunction with strategic business plans prepared by each City department. He stated that the budget process can be easier if there is some knowledge two or three years out in terms of revenues and anticipated decreases so that Council does not feel as though it is constantly putting out fires.**

The City Manager advised that the strategic business plans for both the Department of Finance and the Office of Management and Budget call for development of a Five Year Financial Plan over the next year, and as a part of 2004 budget study sessions, study Council will be provided with a longer range plan that will include not only the City's operating budget, but the capital budget as well.

Mr. Harris advised that he would like to introduce a measure at the regular meeting of Council on Monday, May 20, 2002, expressing appreciation to the citizens of Crescent City, Florida, for their assistance in connection with the recent Amtrak derailment.

There being no further business, at 2:15 p.m., the Mayor declared the budget study session in recess until Friday, May 10, 2002, at 8:30 a.m., for a joint meeting of Council and the School Board.

The 2002-03 budget study session reconvened on Friday, May 10, 2002, at 8:30 a.m., in the Emergency Operations Center Conference Room, Room 159, Noel C. Taylor Municipal Building, 215 Church Avenue, S. W., with Council Member William White, Sr., and School Board Chair Sherman L. Lea presiding.

CITY COUNCIL MEMBERS PRESENT: William D. Bestpitch, C. Nelson Harris (arrived late), W. Alvin Hudson, Jr., Linda F. Wyatt, William White, Sr., and Mayor Ralph K. Smith (arrived late)-----6.

ABSENT: Vice-Mayor William H. Carder-----1.

SCHOOL BOARD TRUSTEES PRESENT: Marsha W. Ellison, Ruth C. Willson, Melinda J. Payne, Charles W. Day and Chairman Sherman P. Lea-----5.

ABSENT: School Trustees Gloria P. Manns and Brian J. Wishneff-----2.

OTHERS PRESENT: Darlene L. Burcham, City Manager; William M. Hackworth, City Attorney; Jesse A. Hall, Director of Finance; Mary F. Parker, City Clerk; Troy A. Harmon, Municipal Auditor, George C. Snead, Jr., Assistant City Manager for Operations; Rolanda A. Johnson, Assistant City Manager for Community Development; Ann H. Shawver, Deputy Director of Finance; Barry L. Key, Director of Management and Budget; Alicia F. Stone, Budget Administrator; Sherman M. Stovall, Planning/Support Services Supervisor; Frank Baratta, Budget Team Leader, M. Rupert Cutler, Council Member-Elect; Richard L. Kelly, Assistant Superintendent for Operations, Roanoke City Schools; and Cindy H. Lee, Clerk, Roanoke City School Board.

In the absence of the Mayor who arrived later in the meeting, Council Member William White called the meeting to order, and expressed appreciation to the School Board for their leadership. Inasmuch as Mr. Day will be retiring from the School Board on June 30, 2002, on behalf of the Members of Council, he expressed appreciation to Mr. Day for his years of service.

Chairman Lea advised that the School Board understands the difficult revenue situation facing the City and wishes to work with Council and the City administration to allow for a mutual resolution of the revenue shortfall. He stated that the School Board, at its April meeting, adopted a budget totaling \$106.6 million, or an increase of \$2.85 million over the previous year. He added that the adopted budget includes the \$378,500.00 in additional City revenue that the school system was notified of in early April. He stated that the adopted budget supports the School Board's major priorities for improving student performance, in order that all schools will complete State accreditation standards by the year 2004, increasing the competitiveness of employee salaries in relation to salaries by neighboring localities, optimizing the use of School Board resources through budget reductions and savings amounting to \$640,000.00, and funding debt service requirements necessary for the School Board to maintain, finalize and complete the high school and elementary school capital projects. He stated that the School Board adopted a balanced budget that accomplishes major priorities, primarily through the growth of City revenue allocated to the schools; despite the difficult economic situation, total school revenue was projected to increase by \$2.85 million over current budget figures; and the State's budget difficulties, from a slow down in economic growth and implementation of a car tax rebate, will mean that growth in State revenue will continue to be substantially less than in the years prior to fiscal year 2002. He noted that State revenue will increase by \$1.3 million, or 2.6 per cent, while City revenue was projected to grow by the same amount and Federal and other revenue will increase by \$250,000.00, or 12.5 per cent. He stated that the City's original revenue estimate also included almost \$205,000.00 for pre school programs, \$25,000.00 in pass through funds to support the Roanoke Adolescent Health Partnership, and expressed appreciation to Council and to the City Manager for continuing the support of these critical school programs and health initiatives.

Mr. Lea advised that as a result of the short fall in the personal property and bank stock taxes, the schools were notified that the City's revenue estimate for the schools will increase by only \$629,000.00, or 1.4 per cent, which is a decrease of approximately \$655,000.00 from the increase of City revenue included in the School Board's adopted budget. He stated that since almost all new revenue has been allocated to employee salary raises, the School Board's only viable option to meet the revenue reduction at this late date in the budget process is to reduce the amount

of the employee average salary rate by three-fourths of one per cent, which reduces the average raise for administrators and teachers from 3.25 per cent to 2.5 per cent, the result being that the competitive salary push in comparison to neighboring localities will continue to erode. He explained that the beginning teacher salary has declined from sixth highest in the state to 31st out of 133 localities and the salary for teachers with 15 years of experience now ranks 39th in the State, while salaries for senior teachers ranks 48th; and furthermore, the average teacher salary increase in fiscal year 2001-02 was two per cent, while the average increase in teacher salaries for all localities in the state was 4.3 per cent.

In addition to the reduction in the average employee raise, Chairman Lea advised that the School Board must also rescind approval of certain other budget initiatives in order to absorb the \$655,000.00 City revenue reduction and to balance the budget, i. e.:

Reduce the upgrading of the elementary principals' salary and the implementation of site based leadership development programs, saving a total of \$115,000.00

Reduce the increase in debt service reserve for high school projects by \$100,000.00, which will result in the reserve being \$950,000.00, and the School Board will have to add a total of \$650,000.00 to the reserve in fiscal year 2004 and 2005 to meet debt service requirements of \$1.6 million by 2005.

He stated that the School Boards' adopted budget includes a total savings of \$640,000.00, achieved primarily through personnel, attrition, and energy costs and efficiencies, and it would be difficult to further reduce the budget at this point in the budget cycle since the only option offering a significant amount of cost savings would be to eliminate jobs; however, the School Board is bound by State law to notify professional employees of their employment status by April 15 of each year.

Mr. Lea advised that the School Board requests that the amount of the revenue shortfall to be allocated to the schools be limited to \$378,500.00, or the amount of the revenue adjustment provided to the School Board in April, which would mean that total City revenue to the schools would increase by approximately \$905,000.00, or two per cent. He stated that such action would allow the School Board to achieve its minimum objective for a three per cent average salary increase for employees, which would be one fourth of one per cent less than that adopted in the original budget; a three per cent average salary raise for professional employees, which would maintain the City's competitive position with Roanoke



County and most other neighboring localities, except the City of Salem; in order to balance the budget, the School Board would still be required to phase in the upgrade of elementary school principal salaries, eliminate the site based leadership program, and reduce the increase in the debt service reserve for the high school project by \$100,000.00. He explained that if Council elects to limit the reduction in City revenue to the schools by \$378,500.00, the School Board would be able to finance initiatives in the following areas:

An increase in the employee health insurance premiums -  
\$600,000.00.

An average salary raise for employees of three per cent -  
\$1.9 million.

An increase in transportation employees retirement -  
\$47,500.00.

Assumption of local cost of Round Hill Magnet School  
aides- \$60,000.00.

New debt service for elementary school projects and an  
increase in the high school debt service reserve -  
\$580,000.00.

\$25,000.00 in pass through funds to support a teen health  
clinic at each high school, and

Because of personnel savings for fiscal year 2003,  
maintenance of service budget would decline by  
\$148,000.00.

Chairman Lea advised that the School Board would be able to add \$210,000.00 to the high school debt service reserve, totaling \$950,000.00, with the objective of accumulating a reserve of \$1.6 million by 2005 to finance its share of the cost of the first phase of the high school improvements estimated to be \$78 million. He explained that the time line for high school improvements is on schedule; specific design plans for the high schools will be completed by the winter of 2004 and construction on Patrick Henry High School improvements will start in the late spring of 2004, with a targeted completion date of late fall of 2006, and improvements to William Fleming High School will start in the late spring of 2006, with a targeted completion date in the late fall of 2008.

Chairman Lea noted that Council's pro active role in support of the City's public education system has made Roanoke City Public Schools a leader in providing academically challenging educational programs to children from a variety of cultures and economic backgrounds, and Council's support and approval of the School Board's funding request will continue Roanoke's progress in leading schools to accreditation and ensuring that Roanoke City schools are successful in passing the standards of learning.

At this point, the Mayor entered the meeting.

Ms. Wyatt advised that fiscal year 2003 will be a difficult budget year, and expressed appreciation to the School Board for not cutting positions.

Mr. Hudson commended the School Board for submitting a balanced budget, including a pay increase for school personnel.

Mr. Harris advised that Council will complete its fiscal year 2003 budget study session this morning, and also noted that it has been a difficult budget to address.

Mr. Bestpitch advised that the \$655,000.00 reduction is not a figure that Council or the School administration decided at some point to cut, but is the result of changes in numbers that fit into the funding formula that the City and the Schools have used for a number of years to determine the amount of City revenues that are provided to the School Board; when revenue forecasts change, the percentage that is available based on the funding formula changes as well, therefor, it becomes a major challenge to not only come up with a dollar amount, but to try and evaluate the impact on a process that has worked well in the past. He noted that the City is in this situation not because of anything it has done or failed to do, but because of a number of decisions that have been made at the State level and localities are bearing the brunt of those decisions. He called attention to the responsibility of the City to ensure that citizens understand the reasons why the City is in this position, and as the commission on restructuring of taxes moves forward in its work, citizens must be involved and speak out with regard to necessary changes in the way revenues are collected and distributed in the Commonwealth of Virginia.

The Mayor spoke in support of better financial times. He advised that he would hope that the City would live within its budget, and move forward with a budget that expects the worst, but works to obtain the best, thereby generating more funds for the following year.

Mr. Kelley advised that the City of Roanoke is beginning to fall behind in terms of teacher salaries; and if the State does not come through with additional funds for teacher salaries, the City of Roanoke will be faced with giving educators two to three per cent pay increases and at some point in time, the School Board and City Council will have to come to terms with the question of building schools or eliminating salaries. He asked that Council be aware of this concern because the future could be a question of salaries versus continuation of capital projects over the next three to five years.

The City Manager advised that the City of Roanoke is an active participant in Virginia's First Cities Coalition, a group of 14 older Virginia cities that are concerned about the level of funding that is provided on a state-wide basis, and particularly with regard to urban communities facing significant challenges in education, public safety, human services and other areas. She stated that the First Cities Coalition has made significant public statements about the plight of urban communities; over the next several months, there will be an aggressive public information and education program, and representatives of the 14 communities will address the financial plight of their communities, because the Coalition believes that localities need new revenue and not a redistribution of existing revenue. She called attention to a review of the JLARC report on public education and the fact that the State is not meeting its legal obligations to school systems across the state and there is the possibility of litigation as a way to address the matter. She stated that over the long term, business must be conducted differently, there must be a major restructuring of the way service is delivered, along with who is responsible for providing services, or localities will have to receive new monies.

The City Manager explained that yesterday's budget work session was a difficult meeting because staff shared with Council its recommendations on how to reduce the City's budget by \$1.4 million, which forced Council to likewise reduce the amount that the City is able to set aside for debt service for the future, to reduce the City's already small contingency for next year, and it is anticipated that there will be further reductions as the various State agencies move forward into the budget year as they experience five to seven per cent budget reductions. She stated that with the loss of State revenues, the City's budget will only increase by 1.1 per cent for fiscal year 2003; overall, and the City is firmly committed to sharing those funds with the School Board at the percentage that has been agreed upon; however, the City does not have the funds this year for Council to go beyond what the funding formula represents. She added that the City will vigorously pursue all of the tax revenues that it is entitled to as a community to ensure maximum opportunities to provide for the services needed by the community. She advised that education is a top priority

for the Roanoke community and for City Council, and Council and the School Board must continue to be closer partners in the future and look for ways to avoid duplication of service and reduce expenses in order to make the maximum available for needed services.

There being no further business to come before the Council and the School Board, the Mayor declared the meeting in recess at 9:20 a.m.

The budget study session reconvened at 9:35 a.m., with Mayor Smith presiding, and all Members of the Council in attendance, with the exception of Vice-Mayor Carder.

The City Manager advised that on Thursday, staff received two specific directives from Council, i.e.: the reinstatement of three firefighter positions and the addition of two auditor positions for the Commissioner of the Revenue's Office. She stated that staff was unable to meet with the Commissioner of the Revenue on Thursday, but he has indicated a willingness to talk with staff regarding the positions, how they would be used, and appointment of a revenue committee that would be composed of representatives of all of the activities that have a responsibility for revenue generation. Unless Council has additional changes to be addressed by City staff, she explained that in order to accommodate the inclusion of three firefighter positions back into the complement of Fire/EMS staff, it is proposed to defer the salary increase for City employees by one month, or until July 31, 2002. With reference to the two auditor positions, she stated that since a detailed discussion with the Commissioner of the Revenue has not taken place, and rather than indicate an offset for revenue as a result of the two positions, it is suggested that personnel lapse be increased by an equal amount, and if additional revenues are generated, Council will have an opportunity to make an adjustment at some point during fiscal year 2003.

Ms. Wyatt encouraged the City Manager to give top priority to a technology plan that will lend to the sharing of pertinent information by the Department of Real Estate Valuation, City Treasurer, Commissioner of the Revenue, Office of Billings and Collections and any other revenue producing City departments, so that each department will know what the other is doing via a centralized system, leading to more efficiencies and better service to Roanoke's citizens.

Mr. White encouraged City staff to share the deferral method recommended by the City Manager regarding City employee pay raises with the School administration for consideration in connection with employee raises.

In view of the appointment of a Revenue Committee as previously authorized by Council, Mr. Bestpitch suggested that Council schedule quarterly budget sessions to discuss financial issues so that Members of Council will be better attuned to financial matters as the City moves through the 2003 fiscal year. He suggested that Council discuss the matter at its planning retreat to be held later in the year.

Mr. Harris requested informal quarterly reports by the City Manager on the City's recruitment efforts to fill police officer positions.

Council Member Harris advised that the performance evaluations of Council-Appointed Officers will be conducted at the 12:15 p.m., session of Council on Monday, June 3, 2002, as opposed to conducting the evaluations during budget study session which has been the practice of Council in the past.

There was discussion in regard to recognizing the outstanding contributions of public safety employees and social service employees which could include recognition by Council at a City Council meeting. It was noted that a monthly recognition of public safety employees is jointly sponsored by the Kiwanis Club and the Regional Chamber of Commerce on a valley-wide basis, and when a City employee is recognized by those groups, they could also be invited to the next City Council meeting for purposes of recognition.

There being no further business, the Mayor declared the meeting adjourned at 10:10 a.m.

**A P P R O V E D**

**ATTEST:**

**City Clerk**

**Mayor**

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